Form (2)

Republic of the Union of Myanmar ★ Myanmar Investment Commission ★
Sr. No.
Dated.

The Myanmar Investment Commission

PERMIT

Permit No. 481/2012 Date 30 MAY 2012

The Myanmar Investment Commission issues this Permit under Section 10 of the Republic of the Union of Myanmar Foreign Investment Law-

(a) Name of Promoter : DIRECTOR GENERAL, ENERGY PLANNING DEPARTMENT

(b) Citizenship MYANMAR

(c) Address BUILDING NO. 6, NAY PYI TAW

(d) Name and Address of principal organization MINISTRY OF ENERGY, BUILDING NO. 6, NAY PYI TAW

(e) Place of incorporation BUILDING NO. 6, NAY PYI TAW

(f) Type of business in which investment is to be made EXPLORATION & PRODUCTION OF CRUDE OIL AND NATURAL GAS

(g) Place(s) at which investment is permitted ONSHORE BLOCK - EP 5 INBIN- TEGYIGON AREA, AYEYARWADDY REGION

(h) Amount of foreign capital US$ 19.5 MILLION

(i) Period for bringing in foreign capital 2012 TO 2018

(j) Total amount of capital (Kyat) EQUIVALENT IN KYAT OF US$ 19.5 MILLION

(k) Permitted duration of investment 6 YEARS

(l) Name of the economic organization to be formed in Myanmar ISTECH ENERGY EP-5 PTE. LTD. & SMART TECHNICAL SERVICES LIMITED

Chairman

The Myanmar Investment Commission

ပြည်ထောင်စုသမ္မတ မြန်မာနိုင်ငံတော်
စာအမှတ်
ရက်စွဲ
မြန်မာနိုင်ငံရင်းနှီးမြှုပ်နှံမှုကော်မရှင်

မြန်မာနိုင်ငံ ရင်းနှီးမြှုပ်နှံမှု ကော်မရှင်

ခွင့်ပြုမိန့်

ခွင့်ပြုမိန့်အမှတ် ၄၈၁/၂၀၁၂ — ၂၀၁၂ ခုနှစ်၊ မေလ ၃၀ ရက်

ပြည်ထောင်စု သမ္မတမြန်မာနိုင်ငံတော် နိုင်ငံခြား ရင်းနှီးမြှုပ်နှံမှု ဥပဒေ ပုဒ်မ (၁၀) အရ ဤခွင့်ပြုမိန့်ကို မြန်မာနိုင်ငံ ရင်းနှီးမြှုပ်နှံမှု ကော်မရှင်က ထုတ်ပေးလိုက်သည်-

(က) ကမကထပြုသူ၏အမည် — ညွှန်ကြားရေးမှူးချုပ်၊ စွမ်းအင်စီမံရေးဦးစီးဌာန

(ခ) မည်သည့် နိုင်ငံသား — မြန်မာ

(ဂ) နေရပ်လိပ်စာ — ရုံးအမှတ် (၆)၊ နေပြည်တော်

(ဃ) ပင်မအဖွဲ့အစည်းအမည်နှင့်လိပ်စာ — စွမ်းအင်ဝန်ကြီးဌာန၊ ရုံးအမှတ် (၆)၊ နေပြည်တော်

(င) ဖွဲ့စည်းရာအရပ် — ရုံးအမှတ် (၆)၊ နေပြည်တော်

(စ) ရင်းနှီးမြှုပ်နှံမှုပြုလုပ်မည့်လုပ်ငန်းအမျိုးအစား — ရေနံနှင့် သဘာဝဓါတ်ငွေ့ ရှာဖွေ၊ တူးဖော်၊ ထုတ်လုပ်ရေးလုပ်ငန်း

(ဆ) ရင်းနှီးမြှုပ်နှံမှုပြုလုပ်ခွင့်ပြုသည့်အရပ်ဒေသ(များ) — ကုန်းတွင်းပိုင်းဒေသ၊ လုပ်ကွက်အမှတ် - EP 5 အင်ပင်- တဲကြီးကုန်းဒေသ၊ ဧရာဝတီတိုင်းဒေသကြီး

(ဇ) နိုင်ငံခြားမတည်ငွေရင်း — အမေရိကန်ဒေါ်လာ ၁၉.၅ သန်း

(ဈ) နိုင်ငံခြားမတည်ငွေရင်းယူဆောင်လာရမည့်ကာလ — ၂၀၁၂ ခုနှစ်မှ ၂၀၁၈ ခုနှစ် အထိ

(ည) စုစုပေါင်း မတည်ငွေရင်းပမာဏ(ကျပ်) — အမေရိကန်ဒေါ်လာ ၁၉.၅ သန်းနှင့် ညီမျှသော မြန်မာကျပ်ငွေ

(ဋ) ရင်းနှီးမြှုပ်နှံခွင့်ပြုသည့် သက်တမ်း — ၆ နှစ်

(ဌ) မြန်မာနိုင်ငံတွင် ဖွဲ့စည်းမည့် စီးပွားရေး အဖွဲ့အစည်းအမည် — ISTECH ENERGY EP-5 PTE. LTD. & SMART TECHNICAL SERVICES LIMITED

ဥက္ကဋ္ဌ
မြန်မာနိုင်ငံရင်းနှီးမြှုပ်နှံမှုကော်မရှင်

REPUBLIC OF THE UNION OF MYANMAR

MYANMAR INVESTMENT COMMISSION

Our ref : Ya Ka-1/Na- 670/2012(7095-J) Tel : 067- 406334,406075

Dated : 30 May 2012. Fax : 95-67-406333

Subject; **Decision of the Myanmar Investment Commission on the Proposal for "Exploration and Production of Crude Oil & Natural Gas for onshore Block EP 5 in Inbin- Tegyigon Area, Ayeyarwaddy Region" under the name of "Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited."**

Reference: Ministry of Energy, Letter No. 008/858/Hta(161/2012) dated (27.2.2012).

1. The Myanmar Investment Commission, at its meeting (7 /2012) held on (29- 2 -2012) had reviewed the proposal for investment in "Exploration and Production of Crude Oil & Natural Gas for onshore Block EP 5 in Inbin- Tegyigon Area, Ayeyarwaddy Region" under the name of "Istech Energy EP-5 Pte. Ltd. of Singapore & Smart Technical Services Limited." pursuant to the Production Sharing Contract to be signed between Myanma Oil and Gas Enterprise and Istech Energy EP-5 Pte. Ltd. of Singapore and Smart Technical Services Limited. (the Republic of the Union of Myanmar). After careful review, it was deliberated that the proposed project be approved in principle for implementation and the proposal be submitted to the Cabinet of the Union Government for final approval.

2. The Cabinet of the Union Government, at its meeting (17/2012) held on (10-5-2012), resolved to permit the implementation of the said project. Hence, the "Permit" is herewith issued in accordance with Chapter VI, Section 10 of the Republic of Union of Myanmar Foreign Investment Law and Chapter VI, Article 13 of the Procedures relating to the said Law. Terms and conditions to the "Permit" are stated in the following paragraphs.

3. Subject to the provisions of the Memorandum of Agreement, dated 12th October 2011, the participating interests of the parties in respect of the Production Sharing Contract shall be as follows:

PT Istech Resources Asia	95 %
Smart Technical Services Limited.	5 %

4. The permitted duration of the project shall be 20 (Twenty) years, three (3) consecutive years for initial exploration period and additional three (3) consecutive years, two (2) years as the first extension period and another one (1) year as the second extension period.

5. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall pay royalty to the Government equal to 12.5% percent of the value of Available Petroleum from the Contract Area.

6. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall pay to Myanma Oil & Gas Enterprise to the amount of US $ 2,000,000 (United States Dollar Two Million Only) as Signature Bonus within 30 (Thirty) days after the date of signing of the contract.

7. Production Split between Myanma Oil and Gas Enterprise and Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall be allocated for Development and Production Area as follows:-

Crude Oil

	Production Rate in Barrels per day	
BOPD	MOGE(%)	CONTRACTOR(%)
0 - 10,000	60	40
10,001- 20,000	65	35
20,001- 50,000	75	25
50,001- 100,000	85	15
100,001-150,000	90	10
Above 150,000	90	10

Natural Gas

	Production Rate in Million Cubic Feet per day	
MMCFD	MOGE(%)	CONTRACTOR(%)
UP to 60	60	40
61 - 120	65	35
121 - 300	75	25
301 - 600	85	15
601 - 900	90	10
Above 900	90	10

8. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall pay Production Bonus to Myanma Oil and Gas Enterprise with respect to each Crude Oil and Natural Gas development and production area as follows:

Production Bonus
Crude Oil

At BOPD	US $(MILLION)
Upon approval of Development Plan	0.50
10,000(for 90 consecutive days production)	1.50
20,000(for 90 consecutive days production)	2.00

50,000(for 90 consecutive days production)	3.00
100,000(for 90 consecutive days production)	4.00
150,000(for 90 consecutive days production)	6.00

Natural Gas

At MMCFD	US $(MILLION)
Upon approval of Development Plan	0.50
60(for 90 consecutive days period)	1.50
120(for 90 consecutive days period)	2.00
300(for 90 consecutive days period)	3.00
600(for 90 consecutive days period)	4.00
900(for 90 consecutive days period)	6.00

9. After the commencement of commercial production of Crude Oil and/ or Natural Gas, shall fulfil as its obligation 20%(Twenty) percent of Crude Oil and 25% (Twenty Five) percent of Natural Gas toward the supply of the domestic Crude Oil and Natural Gas market in Myanmar. Myanma Oil and Gas Enterprise shall pay the price equivalent of 90%(Ninety) percent of the Fair Market Price.

10. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall provide Training Fund to the amount of US $ 25,000 (United States Dollar Twenty Five Thousand Only) per contract year for Exploration Period and US $ 50,000 (United States Dollar Fifty Thousand Only) per contract year for Development and Production Period shall also provide Research and Development Fund to the amount of 0.5% (Zero Point Five) percent of its share of profit Petroleum in favour of Myanma Oil and Gas Enterprise.

11. Myanma Oil and Gas Enterprise shall have the right to demand from Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited that a up to 15% (Fifteen) percent and up to 25% (Twenty Five) percent undivided interest after commercial discovery.

12. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited is liable to pay the Government the following tranches out of the net profit made on the sale or transfer of the shares in the Company.

(a)	If the amount of Net Profit is up to and including US$ 100 million (United States Dollars One Hundred Million Only)	40%
(b)	If the amount of Net Profit is between US$ 100 million and US$ 150 million (United States Dollar One Hundred Million Only and United States Dollar One Hundred and Fifty Million Only)	45%
(c)	If the amount of Net Profit is over US$ 150 million (United States Dollar One Hundred and Fifty Million Only)	50%

13. In issuing this "Permit," the Commission has granted the following exemptions and reliefs:

(a) As per section- 21(a), exemption from income tax up to 36 (Thirty Six) consecutive months starting from the month of commencement of commercial operation.

(b) As per section- 21(b), regarding exemption from income-tax on profits of the business if they are maintained in a reserve fund and re-invested therein within one year after the reserve is made, Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall apply for such exemption only after the 36 (Thirty Six) consecutive months tax holiday period.

(c) As per section- 21(c), Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall be granted to accelerate depreciation in respect of machinery, equipment, building of other capital assets used in the business to the extent of the original value for the purpose of income-tax assessment. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall have to apply to the Commission such rates of depreciation.

(d) As per section-21(d), Istech Energy EP-5 Pte., Ltd. & Smart Technical Services Limited shall have the relief from income tax up to 50 percent on the profits accrued from exports.

(e) As per section-21(e), Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall have the right to pay income-tax payable to the State on behalf of foreigners who have come from abroad and are employed in the Company and the right to deduct such payment from the assessable income.

(f) As per section-21(f), the Commission has also approved the right to pay income-tax on the income of the above-mentioned foreigners at the rates applicable to the citizens residing within the country.

(g) As per section-21(g), regarding the right to deduct from the assessable income such expense incurred in respect of research and development relating to the Company which are actually required and are carried out within the State, Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall apply, upon actual performance of such research and development programme, only after 36 (Thirty Six) consecutive months tax holiday period.

(h) As per section-21(h), regarding the right to carry forward and set-off up to three consecutive years from the year the loss is sustained following the enjoyment of exemption from income-tax. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall file the case, if any, to the Ministry of Finance and Revenue with regard to Section-4 of the Income Tax Amendment Law, 1991.

(i) As per section-21(i),exemption from customs duty and all other internal taxes on machinery, equipment, instruments, machinery components, spare parts and materials used in the business, which they are imported as they are actually required for use during the period of construction.

(j) As per section-21(j), exemption from customs duty and all other internal taxes on such raw materials and additional imports of machinery, equipment and spare parts which are actually required for operation of the business shall be granted within three years of commercial operation following the period of construction. However, such imports shall be subject to the approval endorsed by the Ministry of Energy.

14. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall have to sign the Production Sharing Contract with Myanma Oil and Gas Enterprise. After signing such Agreement, (5) copies each of those shall have to be forwarded to the Commission.

15. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited. in consultation with the Department of Company Registration, Directorate of Investment and Company Administration shall have to be registered. After registration, (5) copies each of Certificate of Incorporation and Memorandum and Articles of Association shall have to be forwarded to the Commission.

16. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall use its best efforts for timely realization of works stated in the Proposal. If none of such works has been commenced within one year from the date of issue of this "Permit", it shall become null and void.

17. The commercial date of operation shall be reported to the Commission.

18. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall endeavour to meet the targets for Exploration and Production of Crude Oil & Natural Gas stated in the proposal as the minimum target.

19. The Commission approves periodical appointments of foreign experts and technicians from abroad as per proposal Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall have to consult with Directorate of Labour, Ministry of Labour for appointment of such foreign experts and technicians.

20. In order to evaluate foreign capital in terms of Kyats and for the purpose of its registration in accordance with the provision under Section-24 of the Union of Myanmar Foreign Investment Law, it is compulsory to report as early as possible in the following manner:-

(a) the amount of foreign currency brought into Myanmar, attached with the necessary documents issued by the respective bank where the account is opened;

(b) the detailed lists of the type and value of foreign capital defined under Section - 2(h) of the said Law, other than foreign currency.

21. Whenever brings in foreign capital defined under Section-2(h) of the said Law, other than foreign currency in the manner stated in paragraph 20 (b) mentioned above, the Inspection Certificate endorsed and issued by an internationally recognized Inspection Firm with regard to quantity, quality and price of imported materials shall have to be attached.

22. After all types of foreign capital (foreign currency and other types of foreign capital) have been brought into Myanmar, a report shall have to be submitted to the Commission as prescribed, vide letter No. Na-Ya 9/101/92(416) dated 3-12-92 [Annexure (1)].

23. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall have the right to conduct account transfer in exchanging foreign currency into Kyat and vice-versa as per para 20 of the Notification No. 40/2011 issued by the Union Government of the Republic of the Union of Myanmar, dated 30 September 2011.

24. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall report to the Commission of any alteration in the physical and financial plan of the project. Cost over run, over and above the investment amount pledged in both local and foreign currency shall have to be reported as early as possible.

25. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited shall be responsible for the preservation of the environment at and around the area of the project site. Hence, it shall observe the directive issued by the Commission vide letter No.Ya Ka-1/ 139/94(0440) dated 30-6-94 [Annexure(2)] to undertake all proper treatment systems and other necessary environmental control systems.

26. Payment of principal and interest of the loan(if any) as well as payment for import of raw materials and spare parts etc. shall only be made out of the official foreign exchange earnings of Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited.

27. Istech Energy EP-5 Pte. Ltd. & Smart Technical Services Limited in consultation with Myanma Insurance, shall effect such types of insurance defined under Chapter VIII, Article 15 of the Procedures relating to the Republic of Union of Myanmar Foreign Investment Law.

(Soe Thane)
Chairman

Director General
Energy Planning Department

cc:
1. Office of the Government of the Republic of the Union of Myanmar
2. Ministry of National Planning and Economic Development
3. Ministry of Finance and Revenue
4. Ministry of Commerce
5. Ministry of Energy

6. Ministry of Foreign Affairs
7. Ministry of Home Affairs
8. Ministry of Immigration and Population
9. Ministry of Labour
10. Ministry of Electric Power (2)
11. Director General, Directorate of Investment and Company Administration
12. Director General, Customs Department
13. Director General, Internal Revenue Department
14. Managing Director, Myanma Oil and Gas Enterprise
15. Managing Director, Myanma Foreign Trade Bank
16. Managing Director, Myanma Investment and Commercial Bank
17. Managing Director, Myanma Insurance
18. Managing Director, Myanma Electric Power Enterprise
19. Director General, Directorate of Trade
20. Director General, Immigration and National Registration Department
21. Director General, Directorate of Labour
22. Chairman, the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry(RUMFCCI)

STANDARD TERMS AND CONDITIONS OF IMPROVED PETROLEUM RECOVERY CONTRACT FOR ONSHORE BLOCK IOR-6

Sr. No.	Particulars	Standard Terms and Conditions of Improved Petroleum Recovery Contract for Onshore Block
1.	Contract Area	IOR-6
2.	Area of Block	116 sq.km
3.	Type of Contract	Improved Petroleum Recovery Contract (IPR)
4.	Preparation Period	- **6 months** (after the signing of the Contract) - Contractor shall conduct Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) and shall submit the final report including executive summary and mitigation plan to MOGE for MIC approval. **Min. Expenditure= 0.3 MMUS$** **{ Contractor shall enter into Exploration Period after approval of MIC on EIA / SIA reports}**
5.	Data Fee	0.35 MMUS$ (Payment within 30 days after the commencement of the initial Joint Study Period)
6.	Initial Joint Study Period	**Initial Joint Study Period- 6 Months** (Existing Petroleum Production for the whole field will be determined by both parties base on the declines curve.) **Min. Expenditure= 1.1 MMUS$**
7.	Signature Bonus	7.69 MMUS$ (Payment within 30 days after the commencement of the Pilot Project Period)
8	Pilot Project Period	**Pilot Project Period(3 years)** — **Min. Expenditure** Year 1- 3.2 MMUS$ Year 2- 9.9 MMUS$ Year 3- 7.7 MMUS$ (Years 1–3: EDP will be based on the outcome of Initial Joint Study Period between MOGE and Contractor) Total: 20.8 MMUS$ **{Contractor will have the option back-off}** Extension (2 year x 1 time) — **Min. Expenditure** Year 4 - 7.7 MMUS$ Year 5 - 1.1 MMUS$ (Years 4–5: Work Program) **Total** 8.8 MMUS$
9.	Production Period	15 years from the date of commercial declaration on incremental petroleum production (or) until the expiration of Contract Term.
10.	Royalty	12.5% of all Available Petroleum.
11.	Cost Recovery	Maximum 40% of all Incremental Petroleum.
12.	*Profit Petroleum Allocation*	**Incremental Crude Oil** **BOPD** / **MOGE(%)** / **CONT(%)** 0 - 5,000 / 60 / 40 5,001 - 10,000 / 70 / 30 10,001 - 20,000 / 75 / 25 20,001 - 30,000 / 80 / 20 > 30,000 / 85 / 15 **Incremental Natural Gas** **MMCFD** / **MOGE(%)** / **CONT(%)** All / 60 / 40
13.	Commerciality Bonus	12.09 MMUS$ (Payment within 30 days after the commencement of the Production Period)
14.	Production Bonus	**Incremental Crude Oil** 2,000 BOPD (for 60 consecutive days production) = 0.20 MMUS$ 5,000 BOPD (for 60 consecutive days production) = 0.50 MMUS$ 10,000 BOPD (for 60 consecutive days production) = 1.00 MMUS$ 20,000 BOPD (for 60 consecutive days production) = 2.00 MMUS$ 30,000 BOPD (for 60 consecutive days production) = 3.00 MMUS$

STANDARD TERMS AND CONDITIONS OF IMPROVED PETROLEUM RECOVERY CONTRACT FOR ONSHORE BLOCK IOR-6

Sr. No.	Particulars	Standard Terms and Conditions of Improved Petroleum Recovery Contract for Onshore Block
		Incremental Natural Gas 15 MMCFD (for 60 consecutive days production) = 0.50 MMUS$ 30 MMCFD (for 60 consecutive days production) = 1.00 MMUS$ 60 MMCFD (for 60 consecutive days production) = 1.50 MMUS$ 150 MMCFD (for 60 consecutive days production) = 2.00 MMUS$
15.	Domestic Requirement	10% of Crude Oil and 15% of Natural Gas of CONTRACTOR's share of profit petroleum at 75% of Fair Market Prices.
16.	Training Fund	Initial Joint Study Period = 10,000 US$ Pilot project Period = 50,000 US$ per Year Production Period = 50,000 US$ per Year If any average daily gross production rate exceeds 30,000 BOPD, Production Period = 100,000 US$ per Year
17.	Research and Development Fund	0.5% of CONTRACTOR's share of Profit Petroleum.
18.	State Participation.	15 % undivided interest
19.	Income Tax	According to the "Myanmar Income Tax Law".
20.	Governing Law	Laws of the Republic of the Union of Myanmar.
21.	Arbitration	Myanmar Arbitration Act, 1944.
22.	Sharing of Profits made from the sale or transfer of the shares in the Company formed under the contract	If the Company formed under the provisions of the Contract sell or transfer its shares of the Company and if a Profit is being made, CONTRACTOR is liable to pay to the Union Government of the Republic of the Union of Myanmar the following tranches out of the Net Profit made on the sale or transfer of the shares of the Company, registered under the Contract:- - If the amount of Net Profit is up to 100 MMUS$ 40% - If the amount of Net Profit is between 100 MMUS$ and 150 MMUS$ 45% - If the amount of Net Profit is over 150 MMUS$ 50%
23.	EITI	MOGE and CONTRACTOR shall collaborate to implement the Extractive Industries Transparency Initiative.